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STAFFORD FOODS LIMITED

ANNUAL REPORT

1969

RAPPORT ANNUEL

PLANTS

TORONTO 37 Hanna Avenue

HAMILTON 984 Barton Street East

SALES OFFICES AND WAREHOUSES

TORONTO 37 Hanna Avenue

MONTREAL 5400 Ferrier Street

MONCTON Elizabeth and Beaverbrook

WINNIPEG 2100 Notre Dame Avenue

EDMONTON 12435 - 149th Street

CALGARY 1016 - 34th Avenue S. E.

VANCOUVER 186 Smithe Street

DIRECTORS/ADMINISTRATEURS

R. V. BAIN
E. A. BROWN, Q.C.
R. FERREIRA
J. V. MUSGROVE
D. G. ROSS
J. SEDGWICK, Q.C.
JOHN H. STAFFORD, Chairman
T. WILDING

OFFICERS/OFFICIERS

JOHN H. STAFFORD	President Président
R. FERREIRA	General Manager Directeur général
T. WILDING	Vice-President Vice-Président
R. V. BAIN	Secretary-Treasurer Secrétaire et Trésorier

HEAD OFFICE/SIÈGE SOCIAL

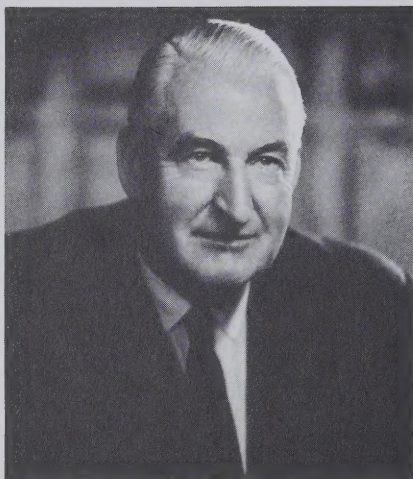
37 Hanna Avenue, Toronto 3, Ontario

AUDITORS/VERIFICATEURS

Peat, Marwick, Mitchell & Co., Toronto

**TRANSFER AGENT/
AGENT DE TRANSFERT**

Canada Permanent Trust Co.
Toronto, Montreal, Winnipeg



President's Report to the Shareholders

On behalf of the Directors of your Company, I wish to present to you the Annual Report of the operations of Stafford Foods Limited for the year ended December 31st, 1969, together with the 1969 Financial Statement of the Company and the Auditors' Report to the Shareholders.

Total net sales were \$8,132,722 as against \$7,654,951 for the previous year, representing an increase of 6.2%. Net earnings after all charges, including the provision for taxes and payment of interest on mortgages, were \$74,954 as against \$134,385 for the previous year, representing a decrease in net profits of 44.5%. A dividend of 10¢ per common share was paid as at June 30th, while the additional payment normally made at December 31st was not declared in order to conserve working capital. The total dividend paid amounted to \$47,500. The balance of net earnings has been added to Earned Surplus.

We have continued our efforts to maintain our position as a manufacturer and direct supplier of quality food products to the Institutional Trade. Despite great competition in this field we successfully maintained our sales to this trade. The decrease in profits was due to the increased cost of maintaining our sales force at a level to adequately cover all areas of Canada, plus the cost of sales promotion through an increased effort to establish our grocery products throughout all Chain Stores and Grocery Buying Groups.

Chain Stores and Grocery Buying Groups control the major portion of the Retail Grocery Market in Canada, with a corresponding decrease in the number of independent retailers. Lower profits are reflected in the Grocery Division due to Wholesalers' prices being considerably lower than Direct sales. Most independent merchants operate under a franchise which precludes selling directly to these independents, therefore the future of the Grocery Division depends a great deal on our selling relations with the Wholesalers and Chain organizations.

It will be our continued endeavour to increase the sale of our Grocery products through improved packaging of our full line while maintaining the best quality in these products to satisfy the most discriminating consumer.

In March 1969 we had a total loss of stock in our Vancouver Branch through a fire which started in the upper floors of the building in which we occupied only the ground floor. The major loss was due to water damage and was covered by insurance. Shipping and delivery operations from this branch were only temporarily suspended because of this fire. We were fortunate in procuring temporary quarters and replenishing our local inventory within a few days. By June 30th we moved into more adequate leased premises at 186 Smithe Street, Vancouver.

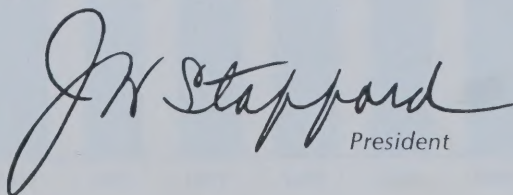
Prior to the year-end, your Company successfully bid for the acquisition of a small fruit and vegetable freezing plant located in Richibucto, New Brunswick. This plant is located in an economically depressed area and was procured from the Province of New Brunswick. Considerable renovating will be necessary to reactivate this acquisition. It will be ready for the processing of this year's crop of strawberries and blueberries, which will be purchased from the growers in this area.

Your Company's policy towards all its customers has always been a desire to guarantee prompt and efficient delivery on all orders. Inventories at substantial levels are carried at all warehouses in order to maintain this service. With keen competition and consumer demand for lower prices, higher costs of raw material and packaging material, along with increased production wages necessitated through our Union contract, cannot always be passed along to the consumer, resulting in your Company being forced to absorb many of these increases in order to be competitive.

Rigid quality control is maintained in our food laboratory and new products acceptable to the trade continue to be developed. New production equipment and facilities have been put into service within the ability of the Company to provide such changes. The majority of our products are manufactured and processed in our plants in Hamilton and Toronto, with a number of products being especially packaged by other manufacturers for distribution by the Company.

Our sales force have worked diligently throughout the year and we are proud of the enthusiastic effort they have made. We are equally proud of the co-operation given by each of our Branch and Warehouse staffs, who have had the responsibility of rendering such efficient service to our customers throughout Canada.

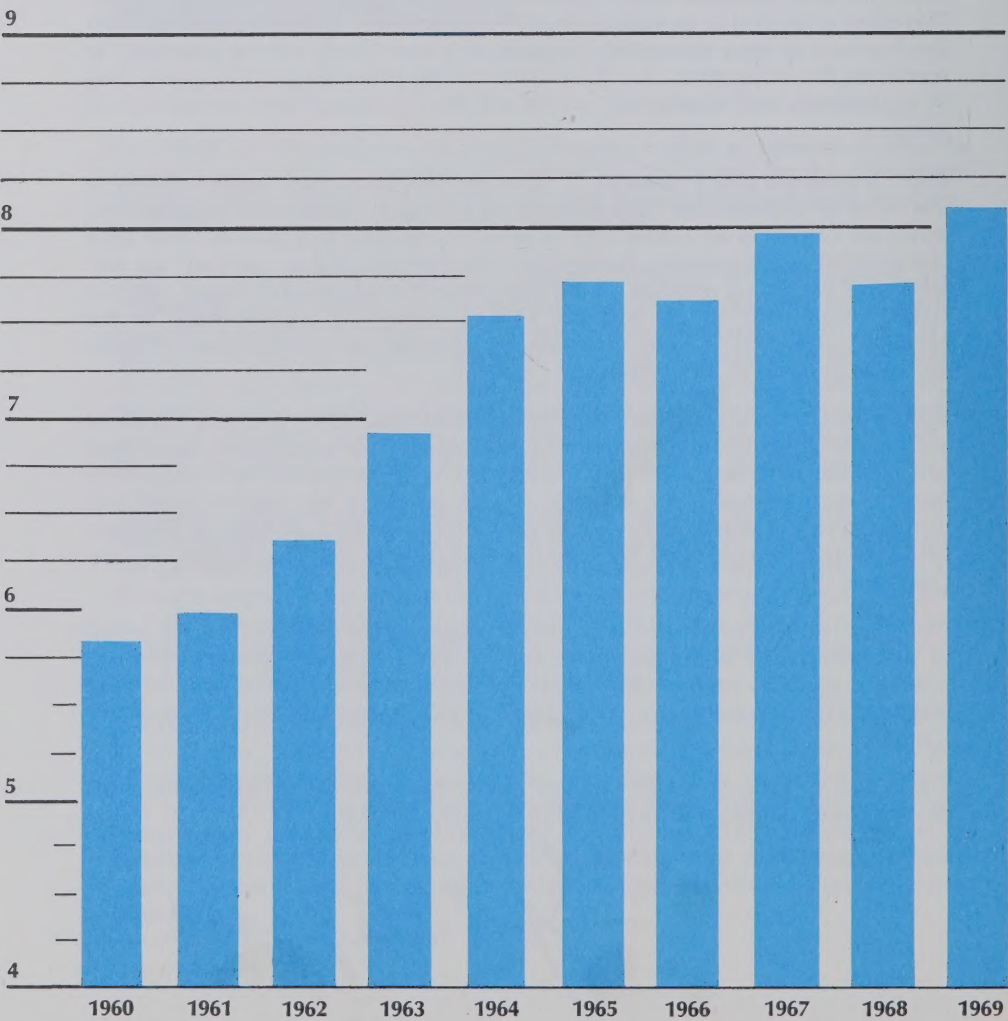
The Board of Directors and Officers are grateful for the co-operative spirit of employees in the performance of their duties in 1969.

A handwritten signature in dark ink, reading "J. N. Stappard". The signature is fluid and cursive, with a large, stylized initial "J".

President

Net Sales

1969	8,132,722	1964	7,535,659
1968	7,654,951	1963	6,980,984
1967	7,985,709	1962	6,350,833
1966	7,572,077	1961	5,937,890
1965	7,602,810	1960	5,788,804



Auditors'

Report to the Shareholders

We have examined the balance sheet of Stafford Foods Limited as of December 31, 1969 and the statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Toronto, Ontario
March 13, 1970

STAFFORD FOODS LIMITED

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ASSETS	1969	1968
Current assets:		
Cash	\$ 2,705	2,705
Accounts receivable	941,138	818,050
Income taxes recoverable	4,110	—
Inventories (note 1)	1,803,541	1,717,784
Prepaid expenses	42,955	74,495
Total current assets	<u>2,794,449</u>	<u>2,613,034</u>
Investments:		
Shares in Liberty Building Limited, at cost	14,566	14,566
Cash surrender value of life insurance ..	<u>160,927</u>	<u>148,062</u>
Total investments	175,493	162,628
5% special refundable tax	—	2,824
Property, plant and equipment, at cost	1,351,475	1,309,390
Less accumulated depreciation	<u>854,832</u>	<u>806,054</u>
Net property, plant and equipment	<u>496,643</u>	<u>503,336</u>
Patents and trade marks, at cost	<u>2,967</u>	<u>2,500</u>
	<u>\$ 3,469,552</u>	<u>3,284,322</u>

See accompanying notes to financial statements.

On behalf of the Bo

Balance Sheet, December 31, 1969

Assets for 1968

LIABILITIES

	<u>1969</u>	<u>1968</u>
Current liabilities:		
Bank advances — secured (note 2)	\$ 1,322,788	1,153,044
Accounts payable and accrued expenses	618,770	555,830
Income taxes payable	—	61,809
Total current liabilities	<u>1,941,558</u>	<u>1,770,683</u>
Mortgages payable (note 3)	70,789	76,428
Deferred income taxes (note 4)	31,500	38,600
Shareholders' equity:		
Capital stock:		
Authorized:		
750,000 common shares of no par value		
Issued and outstanding:		
475,000 common shares	280,000	280,000
Retained earnings	<u>1,145,705</u>	<u>1,118,611</u>
Total shareholders' equity	<u>1,425,705</u>	<u>1,398,611</u>
	<u>\$ 3,469,552</u>	<u>3,284,322</u>

J. STAFFORD, Director

V. BAIN, Director

STAFFORD FOODS LIMITED

Statement of Earnings and Retained Earnings Year ended December 31, 1969

with comparative figures for 1968

	<u>1969</u>	<u>1968</u>
Net sales	\$ 8,132,722	7,654,951
Operating profit before deducting the undernoted items	210,092	326,729
Depreciation and amortization	61,280	61,464
Interest on mortgages	4,918	5,280
	<u>66,198</u>	<u>66,744</u>
Earnings before taxes on income..	143,894	259,985
Deduct taxes on income:		
Currently payable	76,400	132,000
Deferred (note 4)	(7,100)	(6,400)
	<u>69,300</u>	<u>125,600</u>
Net earnings	74,594	134,385
Retained earnings at beginning of year....	1,118,611	1,079,226
	1,193,205	1,213,611
Deduct dividends paid on common shares	47,500	95,000
Retained earnings at end of year..	<u>\$ 1,145,705</u>	<u>1,118,611</u>

See accompanying notes to financial statements.

STAFFORD FOODS LIMITED

Statement of Source and Application of Funds Year ended December 31, 1969

with comparative figures for 1968

	<u>1969</u>	<u>1968</u>
Funds provided:		
Net earnings	\$ 74,594	134,385
Add (deduct) items not involving cash expenditure:		
Depreciation and amortization	61,280	61,464
Gain on sale of equipment	—	(4,785)
Deferred income taxes	(7,100)	(6,400)
Funds provided from operations ..	128,774	184,664
Redemption of shares of Liberty Building Limited	—	3,049
Refunds of 5% special refundable tax ...	2,824	4,601
Proceeds from sale of equipment	2,000	20,721
Total funds provided	133,598	213,035
Funds used:		
Additions to fixed assets	56,587	97,561
Increase in cash surrender value of life insurance	12,865	12,721
Registration of trade marks	467	—
Reduction of mortgages payable	5,639	5,278
Dividends on common shares	47,500	95,000
Total funds used	123,058	210,560
Increase in working capital	\$ 10,540	2,475
Working capital changes:		
Working capital at end of year	\$ 852,891	842,351
Working capital at beginning of year	842,351	839,876
Increase in working capital	\$ 10,540	2,475

See accompanying notes to financial statements.

STAFFORD FOODS LIMITED
Notes to Financial Statements
December 31, 1969

1. Inventories:

	<u>1969</u>	<u>1968</u>
Raw materials	\$ 417,158	418,571
Work in process	149,079	128,601
Finished goods	1,237,304	1,170,612
Total inventories	<u>\$ 1,803,541</u>	<u>1,717,784</u>

Inventories are valued at cost or market whichever is lower. Market value of raw materials and work in process is calculated on replacement cost and finished goods on net realizable values.

2. Bank advances are secured by the pledge of accounts receivable and inventories and assignment of life insurance.

3. Mortgages are payable in instalments of \$10,558 annually to 1972, \$27,310 in 1973 and \$24,594 in 1974, including interest.

	<u>1969</u>	<u>1968</u>
6 ³ / ₄ % due May 31, 1973	\$ 33,700	36,628
6 ³ / ₄ % due May 31, 1974	37,089	39,800
Total mortgages	<u>\$ 70,789</u>	<u>76,428</u>

4. Deferred income taxes result from claiming capital cost allowances for income tax purposes in prior years in excess of depreciation recorded in the accounts. Capital cost allowances to be claimed for income tax purposes for 1969 are less than the depreciation recorded in the accounts resulting in the \$7,100 current reduction of deferred income taxes.

5. Remuneration of directors and senior officers amounted to \$71,986 (1968 — \$72,343) during the year.

Promotion and Merchandising

Quality products are produced and marketed by Stafford Foods and sold under the "Stafford" brand. Specialty items are packaged and marketed under other private labels such as "Barton", "Berry Box", "Mello Gold", "Gravorich", "Seasonette" and "Free-Flo". These brands are recognized as symbols of Stafford Quality by all our Institutional customers as well as thousands of Grocery consumers. Throughout 1969 we co-operated with the Grocery Trade in an extensive program of joint advertising and point of sale promotions.



Stafford Fine Quality Products

BEVERAGE SYRUPS

CAKE MIXES

DESSERT POWDERS

DIET FRUITS AND VEGETABLES

FLAVOURS AND COLOURS

FOUNTAIN FRUITS AND TOPPINGS

FRUITS – CANNED

FRUIT JUICE CONCENTRATES

FRUIT PIE FILLING

HOT CHOCOLATE POWDER

INSTANT CHOCOLATE

JAMS AND JELLIES

KETCHUP

MARMALADE

MUSHROOMS – CANNED

OLIVES – PICKLES

SHORTENING

SOUP BASES

SOUP – CREAM OF TOMATO

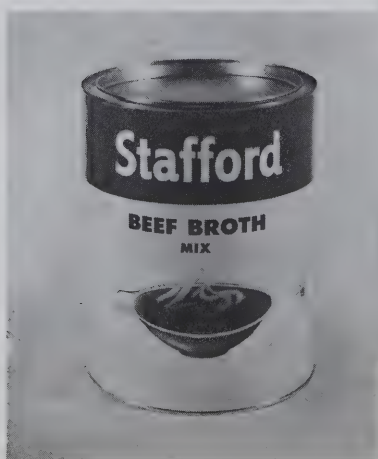
SPICES

SUNDAE SAUCES

TEA

VEGETABLE OILS

OTHER SPECIALTIES



Sales Force and Warehouses

Our sales force is comprised of 75 Bulk and Grocery Salesmen throughout Canada, covering towns and villages in the rural areas from Nova Scotia to British Columbia, as well as all urban centres.

Distribution warehouses are strategically located in Moncton, Montreal, Toronto, Winnipeg, Edmonton, Calgary and Vancouver. Our warehouses are fully stocked with Stafford Fine Quality Products, enabling our Company to give efficient daily delivery service to all Restaurants, Hotels, Motels and Hospitals, as well as to Chain Stores, Grocery Wholesalers, and Independent Grocers across Canada.



Staff and Organization

The Company's progress is increasingly dependent on sound organization and efficient staff. The organization structure must continually be adapted to increased production, selling, distribution and administration. Employees are given the opportunity to develop their individual capabilities.

We wish to express sincere appreciation for the loyalty of our employees during the past year.



